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Before the
Federal Communications Commission
Washington, D.C. 20554

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In the Matter of)
)
Implementation of the)
Pay Telephone Reclassification)
and Compensation Provisions of)
the Telecommunications Act of 1996)

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY
CC Docket No. 96-128

To: The Commission

**REPLY COMMENTS OF
ARCH COMMUNICATIONS GROUP, INC.**

Arch Communications Group, Inc. ("Arch"), by and through its attorneys and pursuant to Section 1.415 of the Commission's rules, hereby submits its Reply Comments in response to the Notice of Proposed Rulemaking ("NPRM")^{1/} in the above-captioned proceeding.

1. The NPRM drew comments from most segments of the telecommunications industry, including the major interexchange carriers;^{2/} the Regional Bell Operating

^{1/} FCC 96-254, released June 6, 1996.

^{2/} See Comments of AT&T; Sprint Corporation; MCI Telecommunications Corporation; Worldcom, Inc.; Cable & Wireless, Inc.

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Companies ("RBOCs");^{3/} non-RBOC local exchange carriers, including payphone service providers ("PSPs");^{4/} resellers;^{5/} providers of prepaid calling card services;^{6/} state regulatory bodies;^{7/} and, of course, numerous other entities representing the interests of competitive pay telephone owners.^{8/} In all, the Commission received more than 80 comments on its proposals to ensure "fair compensation" for all PSPs.

3/ See Comments of the RBOC Payphone Coalition; Ameritech; Bell Atlantic; BellSouth Corporation; Southwestern Bell Telephone Company; and US West, Inc.

4/ See, e.g., Comments of GTE Service Corporation; Peoples Telephone Company; Frontier Corporation.

5/ See Comments of the Telecommunications Resellers Association; Scherers Communications Group, Inc.; Excel Telecommunications, Inc.

6/ See Comments of International Telecard Association; the Intellicall Companies; Conquest Long Distance Corp.

7/ See, e.g., Comments of the State of New York Department of Public Service; the People of the State of California and the Public Utilities Commission of the State of California; Public Utility Commission of Texas; Public Utilities Commission of Ohio.

8/ See, e.g., Communications Central, Inc.; Oncor Communications, Inc.; ACTEL, Inc.; Teleport Communications Group, Inc.; Call West Communications, Inc.; Inmate Calling Services Providers Coalition; Comments of the American Public Communications Council; Michigan Pay Telephone Association; Florida Public Telecommunications Association; California Payphone Association.

Commission's implementation of Section 276 of the 1996 Act. While many other telecommunications services providers also are 800 number subscribers, like Arch and other paging companies, many -- unlike paging companies -- also are PSPs.^{10/} In this regard, Arch notes that the Commission did not receive any comments from entities that are 800 subscribers but do not provide telecommunications services, such as federal, state, and local government agencies, consumer hotlines and other information service providers.

4. For the reasons set forth in Arch's Comments,^{11/} Arch continues to urge the Commission to adopt a "caller pays" compensation mechanism for subscriber 800 calls. This method received support from a broad cross-section of commenters who addressed the issue.^{12/}

^{10/} See, e.g., Comments of AT&T.

^{11/} See Comments of Arch at pp. 4-6.

^{12/} See Comments of AirTouch at pp. 13-16; PageNet at pp. 13-20; PCIA; Worldcom, Inc. at p. 12; the Intellicall Companies at p. 24; Frontier Corporation at pp. 10-12; Scherers Communications Group, Inc. at p. 6; Excel Telecommunications, Inc. at p. 8. It appears to Arch that more than half of the commenters did not address the issue of subscriber 800 calls.

2. Among those commenters who are principally wireless telecommunications services providers, all, including Arch, represent the interests of companies that provide paging and narrowband personal communications services.^{9/} The issue of primary concern to Arch and these other commenters is the Commission's proposal to provide compensation to PSPs for subscriber 800 calls. Subscribers to Arch's services regularly use payphones to place toll-free 800 telephone calls to initiate a page or to access and retrieve messages after receiving a page. Arch makes 800 numbers available to its customers for this purpose, and is itself an 800 subscriber.

3. As described in the comments of Arch and others, the narrowband messaging industry has unique characteristics that differentiate it from other commenters who have addressed subscriber 800 call compensation in this proceeding -- many of whom support a "carrier pays" mechanism for all payphone calls, including subscriber 800 calls. Unlike most commenters, Arch has no ownership interests in payphones and, consequently, does not stand to receive any additional revenue as a result of the

^{9/} See Comments of AirTouch Paging ("AirTouch"); Paging Network, Inc. ("PageNet"); and the Personal Communications Industry Association ("PCIA").

5. A caller pays system is competitively efficient and justifiable on the basis of market economics.^{13/} Such a system is based on the principle that the individual who chooses to use the telecommunications service should pay for that service directly, and the amount charged for that service by the PSP should be set by market forces -- thereby fulfilling one of the requirements of Section 276 of the 1996 Act, the promotion of competition among PSPs.^{14/} By contrast, directly or indirectly charging the 800 subscriber or the subscriber to a paging service that incorporates 800 calls would not serve the public interest because it would not provide incentive to PSPs to offer (or to regulators of PSP services to mandate) competitive rates.

6. The comments in support of a carrier pays compensation method for PSPs generally fail to take into account the unique problems and inherent inequity associated with permitting the carrier to collect fees from 800 number subscribers, including paging companies. Even Ameritech concedes that its carrier pays system is not ideal for

^{13/} See Comments of PageNet at pp. 12-13; Worldcom at p. 12.

^{14/} 47 U.S.C. § 276(b)(1)(A).

subscriber 800 calls.^{15/} Moreover, the rationale of commenters such as Ameritech who oppose a caller pays coin-deposit mechanism^{16/} is not clear, since it is inarguable that in most cases the costs ultimately will be imposed on the caller.

7. Similarly, Arch and other paging companies do not have the ability to track subscriber 800 calls in a manner that would allow them to pass on charges to customers.^{17/} And, the costs of implementing a mechanism for doing so would far exceed the charges that Arch could impose on its customers. The American Public Communications Council acknowledges this burden with respect to issuers of debit cards;^{18/} the same is true for paging companies.

^{15/} See Comments of Ameritech at p. 9.

^{16/} See Comments of Ameritech at p. 8; AT&T at p. 12; BellSouth, "Economic Report on FCC Resolution of Payphone Regulatory Issues," at p. 29. These commenters do not offer an explanation of the comparative economics of their carrier pays proposal vis-a-vis a direct caller pays system. Their opposition to a caller pays method appears to be based solely on purported inconvenience to the caller, rather than on what the ultimate costs to the caller are.

^{17/} See Comments of PageNet at p. 7; AirTouch at p. 12.

^{18/} Comments of APCC at p. 25.

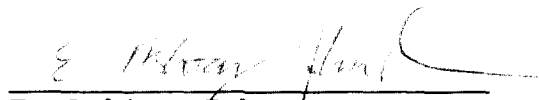
8. Finally, as many commenters argue, whatever any subscriber 800 compensation scheme the Commission ultimately adopts should not affect existing contracts between 800 subscribers and paging companies or between 800 subscribers and IXC^s.^{19/}

WHEREFORE, the foregoing having been duly considered, Arch respectfully requests that the Commission adopt a "caller pays" method to ensure fair compensation of payphone service providers, consistent with Arch's comments in this proceeding.

Respectfully submitted,

ARCH COMMUNICATIONS GROUP, INC.

By:


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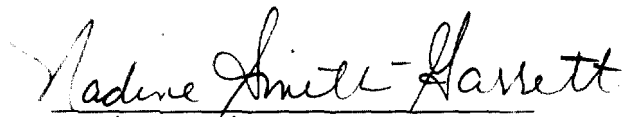
^{19/} See, e.g., Comments of PageNet at pp. 10-11.

CERTIFICATE OF SERVICE

I, Nadine Smith-Garrett, a secretary with the law firm of Paul, Hastings, Janofsky & Walker, hereby certify that I have on this 15th day of July, 1996, caused a true and correct copy of the foregoing Reply Comments of Arch Communications Group, Inc. to be sent by first-class United States mail, postage prepaid, to all parties of record in CC Docket No. 96-128, and to be delivered by hand to the following:

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